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Held at the Vienna International Centre, Vienna,
on Monday, 18 May 1992, at 3 p.m.

President: Mr. CSERVENY (Hungary)

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The meeting was called to order at 3.10 p.m.

ORGANIZATION OF WORK (continued)

1. The PRESIDENT said that the Bureau had decided to recommend to the Board that informal in-session consultations aimed at facilitating the drafting of decisions should be held. All members of the Board would be urged to participate in the consultations. The Bureau had also recommended that, in her capacity as Vice-President of the Board, Mrs. Machado Quintella (Brazil) should preside over such consultation meetings. So as not to prejudice the results of debates in plenary meeting, it had also recommended that draft decisions should be discussed in the informal consultations only after the debates on the subject had been concluded.

2. Mr. ANGUIANO (Mexico) asked whether a drafting committee would be established as well.

3. The PRESIDENT said that the informal consultations would act as a drafting committee.

4. If he heard no further comments, he would take it that the Board wished to adopt the procedure he had outlined.

5. It was so decided.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1991 ON THE ACTIVITIES OF THE ORGANIZATION (IDB.9/10 and Corr.1 and Add.1 and 2).

6. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the member States of the European Community, welcomed the annual report of UNIDO for 1991 (IDB.9/10 and Corr.1 and Add.1 and 2). They repeated the suggestion they had made at the previous session that the report would benefit from the inclusion of a general overview in the form of a brief preface by the Director-General summarizing the year's activities and outlining the specific aims and strategies for the next year. Although the report made it clear that in many respects UNIDO had adapted itself successfully to the changing situation of 1991, its activities were still insufficiently focused. The members of the Community were gratified that project delivery had largely been maintained, despite the continuing threat represented by the failure of Member States of the Organization to meet their financial obligations to UNIDO on time. He nevertheless asked the Secretariat to explain why overall project delivery had fallen since the previous year, as well as project approvals and the residual stock of projects, and why the proportion of aid given to human resources development had more than halved since 1990.

7. The Community countries stressed again the value of the country- and region-specific studies

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and programme support activities outlined in paragraphs 2-8 of chapter II of the report, but they were less convinced of the need for the global reviews mentioned in paragraphs 9-10, which might be too remote from the realities facing developing countries and too general in their findings. The members of the Community appreciated the programme development support described in paragraphs 44-48, but would welcome assurances from the Secretariat that the attempt to establish a set pattern for UNIDO's approaches to technical cooperation would not lead to academic rather than practical responses to specific situations.

8. The countries of the Community stressed the need for UNIDO to cooperate closely with FAO in dealing with the development of agro-based industries in the third world. In its work on engineering industries, the Organization should be careful to consider the appropriateness of advanced technology for the degree of factor endowment of the locality concerned and the country's capacity for absorbing the technology envisaged. The growing role played by technology transfer in many technical cooperation projects was commendable.

9. The members of the Community reiterated their view that women should be integrated in all industrial development projects and they welcomed the steps that UNIDO had taken towards ensuring that. They continued to deplore the low percentage of female fellowships and study tours and asked how many female experts had been recruited in 1991.

10. They welcomed the action taken by the Organization to incorporate environmental concerns into UNIDO's activities. It should cooperate closely with other organizations, particularly UNEP, in order to avoid duplicating their work in that field. The report provided encouraging evidence of the Organization's increasing interest in appraisal, evaluation and internal audit. Although an activity that was being evaluated was usually a worthwhile one, that should not be taken for granted; the first question must be whether that was so, and the second whether the activity had been well conceived and executed. It was clear that UNIDO fully recognized the importance of planning projects in advance and appraising them during execution.

11. The Community countries would be glad to hear from the Secretariat whether UNIDO would be able to maintain a reasonable number of UNIDO Country Directors (UCDs) from UNDP funds. If UNDP support for the UCD programme faltered, it would have to be financed in some other way, since it was valuable both for the Organization and for the United Nations as a whole. The arrangements for field coordination with UNDP and for placements of UCDs in UNDP country representations must be maintained.

12. In conclusion, the members of the Community urged once again that in-house training should be directed to other important matters, in addition to computer training.

13. Mr. QNSY (Egypt) regretted the continued shortage of resources arising from the failure of Member States to fulfil their obligations and the adverse impact on technical cooperation and industrial development in the developing world.

It was a matter of urgency for UNIDO to draw up an integrated strategy to deal with the expected impact of the new successor arrangements and execution by national Governments of UNDP-funded development projects on the operational budget. There should be a sharing of expertise at the national and international levels, and a clearer definition of the fields and mechanisms whereby UNIDO could support national execution; the particular fields of expertise offered by UNIDO and the utility of continuing to concentrate expertise on those fields should be considered. It should eventually be possible to predict the volume of UNIDO participation in future UNDP cycles, which would render the programme approach more effective for resources planning.

14. Regarding appraisal and project development, he stressed the importance of enhancing design skills. It was important to achieve overall project quality at all stages. There was a need to provide the necessary indicators for post-implementation assessment of project sustainability, and to make good use of terminal reports, which indicated the proportion of completed elements to design objectives, in measuring the effectiveness of completed projects, in order to avoid having to revise project element percentages when preparing project performance evaluation reports.

15. He welcomed the response of UNIDO to political and economic developments in Africa regarding coordination of long-term industrial planning and structural adjustment programmes and of the Second Industrial Development Decade for Africa and the programmes of the fifth and sixth UNDP programming cycles. However, he drew attention to the possible impact of the financial situation of UNIDO on allocations to the Second Industrial Development Decade. He regretted that technical assistance funding to the Arab countries had fallen in 1991 from \$21.5 million to \$13.5 million, owing to the political circumstances of the region, to the slack period between the fourth and fifth UNDP programming cycles and to the fact that the new orientation of the UNDP programme approach had slowed down UNIDO plans for future cooperation. He felt that the political circumstances of the region should have led the Organization to intensify its activities and to make sound preparations for the fifth programming cycle.

16. Finally, he expressed his disappointment with the progress report on technical assistance to the Palestinian people (IDB.9/10/Add.1), which gave an account of UNIDO contacts with the UNDP office in Jerusalem with a view to future collaboration and programme and project development, and a joint review of progress regarding a UNDP needs assessment report. He reminded the Board of the resolutions adopted at the third and fourth sessions of the General Conference and once again requested that an economic unit should be established within the Secretariat in place of the current Focal Point, and that practical steps should be taken to implement technical assistance projects already prepared by the Organization and report on the results.

17. Mr. ANGUIANO (Mexico) said he was glad to see that the annual report included the performance report, as called for in Board decision IDB.7/Dec.11, in a satisfactory manner. The annual report should describe, in an objective and

transparent way, all the activities of the Organization during the period it reviewed. Unfortunately, the report continued to suffer from a lack of transparency, excessive repetition, doubtful generalizations and above all an absence of structure and of data which would enable UNIDO's governing bodies to assess the effectiveness of the Organization's contribution to the industrialization of the developing countries and the expansion of international industrial cooperation.

18. Traditionally, UNIDO's success had been measured by the amount of its expenditure on technical cooperation. In 1991 that had dropped by 7.5 per cent overall in comparison with the previous year, and by 12.3 per cent in Latin America and the Caribbean, while overall project approvals had fallen by 20 per cent. However, the level of technical cooperation expenditure simply indicated the volume of resources passing through UNIDO's hands and was no measure of its efficiency in using them. In paragraph 28 of chapter I of the report it was stated that the budget adopted for the biennium 1992-1993 represented negative real growth in the regular budget. His delegation believed that judgement to be premature, since there had in fact been a nominal growth of 25 per cent; only at the end of the biennium, when the precise figure for inflation in Austria was known, would it be possible to say whether or not that 25 per cent increase had meant a change in the present policy of zero real growth. Another fact not easily ascertained from the report was the size of staff costs; it was necessary to go to table 9 of the statistical annex to discover that they accounted for three quarters of the expenditure under the Organization's regular and operational budgets.

19. Mr. MBEGABOLAWÉ (Zimbabwe) said that his country was participating in the present session as a member of the Board for the first time and would cooperate fully in efforts to increase UNIDO's contribution to industrial reform in the developing countries. The effectiveness of UNIDO depended on its striking the right balance between its limited resources and the increasing demands placed on it. Stress was being laid on rationalization and prioritization of activities throughout the United Nations system. Serious consideration must be given to the proposition in the report that it was time to tackle the question of prioritizing the activities of UNIDO.

20. His own country was implementing a structural adjustment programme designed to reinvigorate the economy by eliminating structural imbalances that had inhibited growth. The programme linked trade, macroeconomic policies, agriculture, investment, industry and human resources development. The reform at which the programme aimed should both boost industry and be boosted by it. UNIDO's technical cooperation with Zimbabwe had included specialized assistance for its steel industry and support for rural-based small and large industries and for institutional and human skills development. The Organization's expertise would be even more valuable as the reform programme impelled industries towards rehabilitation and the adaptation of their activities to an international economic environment in which competitiveness was fundamental to survival.

21. The drought which was ravaging his country and others in southern Africa had a direct impact on agricultural production and exports and was

taking a severe toll of Zimbabwe's industry, which depended heavily on agricultural produce. His country was grateful to those Governments and organizations which had responded to its call for help. It hoped that UNIDO too would come to its assistance in one way or another. The implementation of the programme for the Second Industrial Development Decade for Africa would be an important factor in Zimbabwe's industrial survival during the drought and in the success of its structural reforms. He hoped that the Board would take decisions on investment promotion, transfer of technology and industrial development cooperation that would be of practical relevance to its development.

22. Mr. BAKSHI (India) welcomed the comprehensive report. His delegation noted that technical assistance delivery in the biennium 1990-1991 had been some 60 per cent higher than in the 1986-1987 biennium and that the value of investment projects successfully promoted in the former had been four times greater than in the latter. It was disturbed, however, that the value of project approvals had fallen between 1990 and 1991. That situation had arisen at the start of a new UNDP programming cycle in which revised successor arrangements would operate. His delegation had been dismayed to read in paragraph 13 of the Director-General's report on UNIDO's financial situation (IDB.9/16) that the serious delay in the implementation of those arrangements was expected to affect income adversely and that, as a result, initial 1992 allotments under the operational budget were 17 per cent lower than estimates included in the 1992-1993 programme and budget.

23. As a measure of its faith in the Organization, India contributed generously to the Industrial Development Fund, provided experts and awarded technical cooperation projects to UNIDO under IPF funding. UNIDO should concentrate on making the optimal use of its resources in the industrialization of the developing world. It must continue to act as a catalyst in attracting multilateral and bilateral funds to supplement its own efforts. The Organization's future policy, role and structure should be clearly defined in accordance with the priorities laid down in the medium-term plan and in the light of resource projections and emerging demands for advanced and environmentally sound technology and energy conservation. With the changes taking place in the world and in the United Nations system, UNIDO had an excellent opportunity to redefine its role. Its future and its success in attracting multilateral financial support would depend on how it did so.

24. His delegation took the view that technical cooperation was clearly defined in specific terms in Article 2 of the Constitution of UNIDO. In the opinion of some, equipment should receive greater emphasis in technical cooperation activities than expertise and training. The choice should be left to the discretion of the recipient country according to available resources and regional conditions. Projects must be designed in such a way as to ensure their relevance, cost-effectiveness and sustainability. The Secretariat should be able to report to the Board at its next session that it was successfully following those criteria as a regular measure.

25. Technical assistance delivery by UNIDO had shown gains, but the fact remained that the Lima target of 25 per cent of world industrial

production for the developing countries by the year 2000 remained a very distant dream. The Organization must consider seriously what should be done to make that target achievable. Member States should act collectively to ensure that it was given the necessary means to advance the industrialization of the developing countries towards that goal.

26. His delegation endorsed the call made by the Director-General in his statement at the previous meeting for more countries to join in the work of the International Centre for Genetic Engineering and Biotechnology. In conclusion, his Government was glad to announce that it would contribute \$1 million to the Industrial Development Fund in 1992.

27. Mr. AWEIDAH (Observer for Palestine) said that the Palestinian territories were witnessing a great deterioration in economic and social conditions and that the occupation forces had confiscated over 60 per cent of the territory of the West Bank and Gaza Strip, had gained control over more than 80 per cent of the Palestinian water resources and were continuing to build settlements in Palestine and the Golan. The Israeli occupation forces were endeavouring to dominate the Palestinian economy and burdening it with heavy taxes. They were depriving the national economy of its financial and banking institutions and severely controlling imports and exports. Unemployment had risen to 54 per cent, and 50 per cent of the population lived below the poverty line. Industry remained marginal, accounting for no more than 9 per cent of the gross domestic product (GDP). The majority of enterprises had less than ten employees each. Industrial employment accounted for no more than 14 per cent of the workforce. Israeli policies hampered the development of the industrial sector and the creation of job opportunities. The Palestinian industrial sector suffered from a lack of national funding institutions, a poor or destroyed infrastructure, a market flooded with Israeli products, and a lack of competitiveness of national products. UNIDO had attributed its failure to provide any assistance to the Palestinian people over the previous two years to the Gulf crisis and to the scarcity of financial resources. With the Gulf crisis now over, he urged the international community, the United Nations and international, governmental and non-governmental organizations to offer support and financial assistance to alleviate the suffering of the Palestinian people. He hoped that UNIDO would resume its active and vital role and urged the Director-General to establish an economic unit for Palestine. He took note of the work of the Focal Point and hoped that it would be developed until such time as the badly needed economic unit for Palestine could be established. He hoped that UNIDO could thus assist with the training of staff and preparation of projects and programmes needed for industrial development in the occupied Palestinian territories.

28. Mr. KUME (Japan) commended the Organization for the growth it had achieved in various fields since 1986, in spite of its many problems. There had still been no dramatic improvement in the economies of most developing countries, and there were many areas in which the United Nations development system could assist their peoples in attaining improved living standards; Japan would continue its support for the Organization in that regard.

29. His delegation wished to encourage UNIDO to continue to concentrate on improving quality, and not just in respect of technical cooperation projects. Quality should be the key word with all the Organization's activities, especially in view of the decline in operational income. His delegation also welcomed the fact that the activities of the internal audit system were referred to in the annual report for the first time, for they were a factor in bringing greater transparency to the work of the Organization. UNIDO's decision-making bodies had in the past year spent much time on a few administrative subjects, and there had been insufficient discussion of substantive items; accordingly, the Secretariat was requested to assist by ensuring that all necessary documents were distributed well in advance.

30. In identifying those areas in which the Organization's activities should in future be concentrated, it would be unrealistic to continue to expect UNIDO to respond to all requests from developing countries. It would and should become an agency of specialization and excellence; it had to become more competitive if it was to survive. Japan supported UNIDO's restructuring initiative, which should be aimed at turning it into a more effective organization; at the same time, UNIDO should introduce improvements in its internal operations, with smoother multidisciplinary coordination and cooperation among staff members.

31. Mr. WOTAVA (Austria) welcomed UNIDO's dynamic response to the major modifications of the tripartite system which had arisen out of the successor arrangements to the support cost system and the drive towards national execution. The Organization was right in adopting a leaner strategic frame in order more efficiently and more effectively to perform its role as a "centre of excellence" in industrial development. Austria, which had from the outset supported a reform of UNIDO's management structure, hoped that the restructuring debate would soon lead to the "simple, rational and transparent" structure referred to in paragraph 12 of chapter I of the annual report (IDB.9/10).

32. He noted with concern that technical cooperation delivery had fallen from \$159.6 million in 1990 to \$147.5 million in 1991, and hoped that that was merely a temporary setback as UNIDO adjusted to a more streamlined approach. As regards UNDP projects, UNDP's own funding had not grown to the extent foreseen and seemed to be stagnating.

33. At a time when industrialization was no longer fashionable among development agencies, it was inevitable that UNIDO should be facing difficulties. The poor performance of many Member States in regard to their contributions did not help. Austria was confident that if the Members - donors and recipients alike - were prepared to cooperate and reach a consensus on what they expected from UNIDO and how to ensure that the Organization delivered it, it could survive what was a difficult period. Mutual confidence between Members and the Secretariat would have to be strengthened. One way of helping to bring about a consensus on UNIDO's priorities might be the continuation of the process of informal consultations among heads of permanent missions begun the previous year.

34. Austria shared the Director-General's concern about the disparity between Member States'

expectations and demands and the shortfall in contributions. If Member States believed in the value of UNIDO's contribution to development, they should decide to meet their obligations.

35. Austria welcomed the introduction of the objectives-oriented project planning system, the tabular presentation of performance indicators and the comparison of outputs implemented against outputs planned in the annual report.

36. The growing urgency of appropriate environmental action had at last found expression at all levels of political decision-making, with the United Nations Conference on Environment and Development convening soon at Rio de Janeiro, Brazil; UNIDO had a decisive role to play in transforming conflicts of goals between environmental protection and industrial development into synergistic strategies. Austria had welcomed the holding of the UNIDO Conference on Ecologically Sustainable Industrial Development in October 1991, and awaited with interest the integration of its conclusions and recommendations into the forthcoming medium-term plan.

37. Austria was concerned that only one in every five Professional staff members in the Secretariat was female, but noted that the same ratio applied to job applications. An in-depth evaluation of recruitment policies and strategies might be necessary in order to achieve more equitable distribution. As for the geographical distribution of UNIDO experts, it was surprising that most of the traditional industrialized countries were underrepresented. That was something the Organization should examine, and if possible rectify, since the quality of experts provided was a decisive factor in UNIDO's delivery and affected the Organization's image.

38. As in previous years, Austria's contribution to the Industrial Development Fund had been used to finance the Investment and Industrial Promotion Office in Vienna and UNIDO training programmes for participants from developing countries. Austria was reducing the group training component of its IDF contribution in favour of more feasibility studies and small to medium-sized projects in priority countries. Its continued support of UNIDO's technical operations was reflected in a significant increase in its contribution to IDF in 1991, and it would probably be able to exceed its pledge of 15 million schillings in the current year.

39. Mr. LAVROV (Russian Federation) said that Russia was now bringing a qualitatively new content into its foreign policy, the basis of which was the natural national interests of the country, free of ideology and Messianism.

40. The Russian Federation was living through a very complicated, but also a very promising period in its history. The reforms were beginning to show results. For the first time in many years the Russian economy was speaking the language of finance; senseless expenditure on armaments had been abandoned, thereby liberating the powerful intellectual, industrial and raw material potential of the country for manufacturing purposes and for mutually beneficial relations with other countries, both bilaterally and multilaterally.

41. At the present stage in the transfer to a market economy, the priorities of the Russian Federation included privatization, the stimulation

of entrepreneurship, assistance for Russian entrepreneurs in gaining access to world markets, the creation of a favourable climate for attracting foreign investors, training, finding solutions to the problems of employment and a migratory workforce, the provision of a social security safety net, the conversion of defence industries and the harmonization of the rates of reform with those of other countries in the Commonwealth of Independent States. In implementing its reforms, Russia was relying chiefly on its own resources, but placed a high value on external support, especially at the present crucial stage.

42. The Russian Federation was also adopting a new approach to cooperation with the international organizations, among them UNIDO. It was important to free international organizations from the constraints of artificial politicization, and to concentrate the programmes of each specialized agency on the implementation of specific projects within its sphere of competence and in the interests of Member States. Russia wanted the programmes of UNIDO and of the other specialized agencies to yield more practical returns for Russia itself as well as for other States, especially in the developing world. The growing cooperation between the Russian Federation and UNIDO should achieve those aims.

43. It was desirable that UNIDO should be involved in projects on the territory of Russia, such as analysing the situation of industry in individual regions, organizing courses and seminars, training managers, carrying out pre-investment surveys and feasibility studies, and helping to attract foreign capital. There had already been a concrete example of such cooperation in developing a project for a free economic zone in Primorsky Kray, carried out with the participation of UNIDO and Japanese consulting engineers. Special attention was being given to cooperation with UNIDO in the area of defence conversion, and there were a number of specific projects which were of interest both to Russian entrepreneurs and to UNIDO Member States and businessmen in other countries. Assistance was being given by the UNIDO Secretariat, and further activity would follow the signing in April 1992 of a Memorandum of Cooperation between the Russian Ministry of Industry and UNIDO. It was also to be hoped that cooperation with UNIDO would continue in connection with the consequences of the Chernobyl accident, and that that cooperation would involve the participation of the European Bank for Reconstruction and Development. The UNIDO Centre for International Industrial Cooperation in Moscow had been of particular assistance.

44. The Russian Federation made a positive assessment of the results of the Organization's activities in 1991, but considered that further steps were needed to increase its effectiveness in the new circumstances. Russia supported the broadening of UNIDO's activities through the development of direct business links, even at the level of individual enterprises and research institutes. It was important to increase the effectiveness of UNIDO's activity in solving the problems of individual branches of industry in developing countries, and to improve the System of Consultations, develop projects in technology transfer, compile industrial data and prepare sectoral surveys. There should be a greater practical return on UNIDO's projects under the Second Industrial Development Decade for Africa,

special regional cooperation programmes, projects to help the least developed countries, Namibia and the Palestinian people and to promote the integration of women in the development process. Fuller use should be made of special-purpose funds.

45. The countries of Eastern Europe and the Commonwealth of Independent States were living through a period of radical transformations that were having a profound impact on the world economy. Unfortunately, the real nature of that influence was insufficiently analysed in the annual report.

46. UNIDO should analyse the structure of world industrial development in cooperation with the United Nations regional commissions. More attention should be given to improving the forms and methods of UNIDO's cooperation with other parts of the United Nations system, avoiding duplication and ensuring that programmes were mutually complementary. In that connection, the increase in contacts between UNIDO and the World Bank and regional banks were particularly welcome. More attention must be given to coordination, taking into consideration the strengthening of the constitutional role of the Economic and Social Council, and a coordinated approach must be adopted to budgetary policy and staff issues in the common system. The solution of such problems was of crucial importance for the effectiveness of multilateral cooperation. UNIDO's financial difficulties had been caused to a large extent by tardiness on the part of a number of countries in paying their assessed contributions. In spite of the very difficult economic situation in the Russian Federation, his country, as the successor to the former Union of Soviet Socialist Republics in UNIDO, had taken the necessary steps to honour its commitment to the Organization, and his delegation was prepared in every way to assist UNIDO in solving the important questions of international cooperation in the field of industrial development.

47. Mr. MA'AJI (Nigeria) thanked the Director-General and his staff for their continued interest and involvement in his country's industrial development efforts during the year. His Government was grateful for the follow-up actions to the recent industrial investment promotion forum in Nigeria, which had resulted in the implementation of a number of projects. UNIDO assistance was also being sought through trust-fund arrangements for the development of the Nigerian cement industry.

48. His country was pleased to note that UNIDO had managed to diversify its sources of funding, with the result that the UNDP percentage of technical cooperation activities had been reduced to 51.7. However, Nigeria had noted with concern the information provided by the Director-General on a possible reduction of UNIDO Country Director posts so soon after the adoption of General Conference resolution GC.4/Res.4 recognizing the need for an increase in such posts to 50. The number should be kept at the present level, and the Organization should give urgent consideration to a financial formula involving UNDP, UNIDO and voluntary contributions.

49. The Organization's financial situation was alarming, with debts by Member States to the Organization amounting to some 73 per cent of the budget for the current year, resulting in a vacancy factor as high as 15 per cent. The

Organization had been forced to make very significant reductions in allocations for all major objects of expenditure, necessitating cuts in programme implementation. Nigeria wished to urge all Member States, particularly the major contributors, to try to fulfil their financial obligations without further delay.

50. His country joined others in calling for a dialogue between the Secretariat and Member States on the need to establish priorities among UNIDO's activities, given the dwindling financial resources available. Rationalization of that kind, rather than across-the-board cuts in programmes already approved, was essential if the Organization was to continue to be relevant. The need for UNIDO not to accept new programmes of activity could not be overemphasized. Finally, the Secretariat was to be commended for the measures proposed for strengthening the System of Consultations.

51. Mr. KAMEL (Turkey) said that structural changes in the economies of the countries of Eastern Europe and the emergence of independent States following the dissolution of the former USSR had created possible new beneficiaries of UNIDO's assistance. Coupled with the economic projections for the developed countries, which were not encouraging, that meant there was a serious risk of the developing countries being marginalized. Their access to world markets was becoming even more restricted, and there was also a reverse capital flow from them, so the developing countries were in greater need than ever of international help and assistance, and UNIDO, as the only international body able to help them with their industrialization efforts, faced a great challenge. Yet it was in a serious financial situation itself, and had to function within the limits of a zero real-growth budget; that was why Turkey attached such importance to staff training programmes and welcomed the objectives-oriented project planning system as well as in-depth evaluations to monitor the Organization's performance. The work of restructuring UNIDO had become more pressing in view of the growing challenges, but unfortunately Member States had not so far been able to reach agreement on it.

52. Mr. AHMADI (Islamic Republic of Iran) said he wished to express satisfaction at the increase in technical cooperation projects in 1991 and the overall improvement in their quality. At the operational level, UNIDO's technical assistance delivery in the biennium 1990-1991 had been 60 per cent higher than in 1986-1987, and the value of investment projects promoted in 1990-1991 had been four times as much as in 1986-1987. Unfortunately, there had been a 20 per cent drop in project approvals in the second year of the 1990-1991 biennium, and appendix J of the annual report (IDB.9/10), showing outputs programmed and outputs completed, indicated a comparatively low rate of completion despite record deliveries in terms of both technical cooperation and investment promotion. His delegation would be grateful if the Secretariat could submit a report enabling the downward trend to be analysed at the next session of the Board.

53. With regard to industrial human resource development activities during 1990-1991, a negative trend was also apparent in expenditures on such activities in technical cooperation projects implemented by UNIDO, with a decrease in 1991 of about 25 per cent. Industrial human

resource development had a multiplier effect and was an area that needed further emphasis. In view of the lack of adequate resources for training activities, all Member States should increase their voluntary contributions for the implementation of training programmes. One major item of human resource development planning for coming years should be an increase in training programmes for the training of trainers. Developing countries should increasingly offer to host in-plant group training programmes in their countries. Many developing countries could be host countries for study tours, fellowships and other training programmes. His own country could host two or three such programmes each year.

54. Mr. LONG Yongtu (China) said that the annual report (IDB.9/10 and Corr.1) was frank and factual, and contained many valid proposals. It also listed significant performance indicators, constituting a major improvement on previous annual reports. He hoped that future annual reports would not merely list the activities carried out by UNIDO in the previous year but would analyse successes and failures and describe the major work implemented.

55. Massive poverty had continued to plague many developing countries in the past year. There had been little improvement in the international environment for the industrialization of developing countries. Official development assistance had experienced slow growth, or even stagnation. Conditionality for development assistance had increased and many developing countries were struggling under the heavy burden of external debt. The developing countries thus faced unprecedented difficulties in their industrialization process and needed the services of UNIDO more than ever before.

56. The expansion of national execution of UNDP-funded projects had led to changes for UNIDO. The role of UNIDO as executing agency for IPF projects in the industrial sector had been called into question and the Organization's traditional technical cooperation activities could be expected to decline. During the current transitional period, UNIDO should implement a reform programme and make itself a resilient and efficient agency. An analysis was needed of the Organization's comparative advantages and of how they could be reinforced and exploited.

57. In his delegation's view, UNIDO's comparative advantages lay in two areas: its political and commercial neutrality and the expertise accumulated over its many years of operation, including world-wide access to technology. UNIDO should use those advantages and emphasize policy advice and investment promotion; it should serve as a bridge between the Governments and enterprises of industrialized nations and the developing world. In view of the wide disparities among developing countries in the level of economic development and technological sophistication, and bearing in mind the complementarity that existed in many areas, UNIDO had a role to play in promoting economic development among developing countries. In the specific area of investment promotion, UNIDO was well placed to assist developing countries in training personnel for the management of international economic and technical cooperation, in designing more favourable regulations for foreign investment and in identifying investment opportunities.

In addition, UNIDO could act as the world's clearing-house for investment project proposals in industry.

58. The structure of the Secretariat should be geared to the evolving nature of the priorities of UNIDO's work. Cooperation among the Organization's substantive departments should be strengthened. A programme-based approach, starting with the development objectives of a particular industrial sector in a developing country, could be considered.

59. As the Organization changed, the functions of the UNIDO Country Directors (UCDs) should be modified. Apart from monitoring the implementation of IPF-funded projects, UCDs should endeavour to link the host country with the rest of the world, including potential donor countries' missions and transnational corporations, and to assist developing countries in the areas of technology acquisition, market access and the mobilization of resources for industrialization programmes. In China, partnership was actively sought between the UCD and the centre in Beijing concerned with investment promotion, with a view to providing better services for inward and outward investment.

60. Diversification of UNIDO's operations also called for further efforts to streamline administration at Headquarters and to bring about decentralization. More investment promotion services should be set up and more staff assigned to the field.

61. Mr. RIHA (Czechoslovakia) said that the annual report provided a clear picture of UNIDO's activities in a year of rapid changes in the world and within the United Nations system.

62. Those changes, together with the need to increase UNIDO's outputs, had led to discussions by the Member States and the Secretariat during the past year on the restructuring of the Organization. Unfortunately, the discussions had resulted only in agreement that UNIDO needed to be restructured. Divided views on the number of deputy directors-general and on when to introduce the new structure had delayed a decision. His delegation considered the findings of the Special Advisory Group to the Director-General to be a sound basis for further debate on the issue. Attention should be focused on the adoption of clear job descriptions or terms of reference for the Director-General and his deputies.

63. The new UNIDO structure should adequately reflect the importance of the Organization's activities in the area of industrial investment promotion and under the System of Consultations. Restructuring the Organization was hampered by the gap between UNIDO's mandate and the financial resources available to fulfil it. That problem had been exacerbated not only by the changes in the tripartite system, but primarily by the failure of Member States to pay their assessed contributions in full and on time. His delegation supported UNIDO's endeavours to secure additional financial resources through special trust funds and cooperation with the World Bank and regional financial institutions. It also supported the cooperation between UNIDO and UNDP aimed at developing joint guidelines and other operational tools for the implementation of the new support cost regime.

64. It further welcomed the efforts made by the Secretariat in 1991 to improve project quality, relevance, feasibility and cost-effectiveness, as well as the consideration given to environmental aspects. However, experience in connection with a subregional project on improving the environment in the border regions of Hungary, Poland and Czechoslovakia showed that servicing the urgent requirements of Member States was still not at an adequate level of efficiency. Further measures were called for in the area of project development and coordination of in-house units.

65. Regarding the statements in chapter I, paragraph 17, and chapter II, paragraph 14, of the annual report (IDB.9/10) concerning a decrease in group training programmes held in the countries of Eastern and Central Europe, he wished to point out that the programmes offered by Czechoslovakia in 1991 had increased despite the continuing economic reforms. His country's activities for the benefit of developing countries in cooperation with UNIDO would be further developed as the result of an increase in the Czechoslovak contribution to the special-purpose segment of the Industrial Development Fund for 1992.

66. Mr. LEE (Republic of Korea) commended the efforts made by the Director-General and his staff, in the preparation of the annual report, to meet the guidelines in Board decision IDB.7/Dec.11 and General Conference resolution GC.4/Res.2. However, he felt that some parts of the report needed to be supplemented and improved.

67. Today, UNIDO was facing an extraordinary challenge in regard to the adaptation of its policies, roles and functions to the unprecedented changes in the world's political and economic conditions. The growing needs of developing countries for greater access to markets, technology and finance had had profound implications for UNIDO. Against that background, UNIDO was now faced with the need for substantial change in the area of funding and in its structure. Changes had taken place in the tripartite system, and the sources of funding for UNIDO's projects were also changing. Although the bulk of financing still came from UNDP resources, that contribution had decreased between 1990 and 1991. Flexibility was needed in regard to the funding and execution of technical cooperation projects.

68. His delegation noted with satisfaction the quantitative and qualitative improvements in technical cooperation activities during the period under review. Despite the drop in technical assistance delivery between 1990 and 1991, the substantial upward trend on a biennium basis was welcome. Project quality had also increased consistently over the past five years. Human resource development programmes had continued to help the developing countries build up sustainable and coherent systems for upgrading their technological skills. Project efficiency had also been enhanced through improved diagnoses, project planning and project management.

69. His delegation believed that the time had come for a clear order of priorities to be established for the future activities of the Organization, and for emphasis to be placed on organizational restructuring and the streamlining of operations in the Secretariat. There should be unified United Nations country offices, on the understanding that UNDP would continue to function as a funding and coordinating agency and the

executing function would remain with the specialized agencies. His delegation shared the view that a crucial element in the future development of UNIDO was the need to strengthen cooperation with the private sector.

70. Turning to the Special Programme for the Industrial Development of Asia and the Pacific, he said that, for maximum efficiency to be attained, the specific needs and cultural background of each country needed to be taken into consideration in the Programme's implementation. Efforts should be made to provide concentrated assistance in labour-intensive industries where a plentiful labour force was available.

71. His delegation was concerned at the worsening financial situation of UNIDO, and particularly the cash-flow problem, which arose mainly from delays in Member State's payment of contributions to the regular budget. It appealed to Member States in arrears to pay their contributions in full as soon as possible.

72. Ms. KIMBLE (United States of America) said that the winds of change continued to sweep the world. UNIDO, like the United Nations system, was facing unprecedented new demands in an era of shrinking resources. There was likely to be an increase in Member States which would require the assistance of UNIDO, without being able to contribute to its resource base. At the same time, the reduction in the operational budget caused by changes in UNDP's support cost arrangements would further strain resources which were already stretched to breaking point.

73. It was vitally important, therefore, to prioritize UNIDO's activities. A major restructuring was needed. At the previous General Conference session, Member States had been unable to agree on the introduction of a new structure, or on the number of deputy directors-general that the Organization would need to discharge its responsibilities in the present uncertain climate. The necessary decisions must now be made, and organizational flexibility must be emphasized. The reorganization effort should follow a dual-track approach, reflecting a careful reprioritization of UNIDO's activities. The Roethlisberger decision calling for five Departments within the Organization, each headed by a Deputy Director-General, was unnecessarily rigid and should be abandoned. Once the constraining effect of the Roethlisberger decision had been removed, a group of experts should be appointed to make recommendations on the Organization's future structure and role.

74. Like other agencies in the United Nations system, UNIDO had to collaborate with others. It should work with the regional development banks and the World Bank in identifying projects where its expertise would be appropriately deployed and where it could offer comparative advantages. Effective privatization was an essential ingredient of successful development and, in view of UNIDO's valuable experience in that field, it should become the focal point for all privatization activities in the United Nations system. Thought should be given to reinforcing its unique role, and to stepping up cooperation with other United Nations agencies in order to eliminate duplication and enhance delivery of technical assistance. UNIDO's specific country experience could also support the interchange among developing countries themselves.

75. The efforts to reform, restructure and reintegrate UNIDO's activities were complementary to other reforms now under way within the United Nations Secretariat. The task in hand required active consultation and planning to put into effect key reforms to streamline UNIDO's operations. Given the determination to put principles before personalities, rapid progress could be made.

76. Mr. CHON IN CHAN (Observer for the Democratic People's Republic of Korea) welcomed the progress UNIDO had made in its industrial development and technical cooperation activities, despite the unstable political and economic climate over the past few years. The figures for technical cooperation and investment projects in the 1991 annual report showed a marked growth. The trust fund mechanism provided crucial financial resources for the Organization in servicing industry in the developing countries. The special trust fund activities had been in full swing during the biennium 1990-1991, following recognition of their value by the Board, the General Conference and the United Nations General Assembly. He noted that the total value of projects under implementation in 1991 under trust fund schemes represented 31.1 per cent of total UNIDO project approvals.

77. In his own country, UNIDO had played a pioneering role in setting up arrangements of mutual benefit to local industries and their foreign partners. Emphasis was being placed on the rehabilitation and modernization of industry in line with international standards, and on promoting self-sufficiency and national economic development through the introduction of advanced technology. Technical cooperation and assistance from international organizations such as UNIDO was highly appreciated. Thanks to UNIDO's efforts, work had now started on a hot-rolling steel mill project, and another project on the rehabilitation and expansion of a battery manufacturing plant would shortly be completed. The present situation in the Korean peninsula was favourable to industrial cooperation with foreign partners, and prospects for further cooperation were bright. During 1991 a free trade zone had been established in the Senbong-Razin area in the north of the country, and was already attracting support from international organizations, including UNIDO. The Director-General of UNIDO had led a high-level delegation to his country to discuss investment opportunities in the free trade zone, and a range of other important projects. He was also grateful for the Director-General's assistance in arranging visits by industrialists and businessmen from developed countries.

78. Constraints on UNIDO's operational budget in recent years, as well as on UNDP's country programmes, had compelled the Organization to devise new methods of promoting industry. His delegation hoped for further enterprise-to-enterprise cooperation through trust fund schemes. The number of investment projects funded by such schemes should be increased, and the operational department responsible for them should be strengthened.

79. Mr. SZABO (Hungary) said that UNIDO had continued to fulfil its role in 1991, a year of unforeseen changes. The transition of the countries of Central and Eastern Europe to market-based economics would be a long and complex process and presented them with serious economic,

environmental and social problems. Despite those problems facing Hungary, it attached importance to developing further its relationship with the Organization, as evidenced by the increase of 31 per cent in the amount of its pledge to the Industrial Development Fund by comparison with the previous year. All his Government's relations with UNIDO were now the responsibility of the Ministry of Industry and Trade.

80. In its technical assistance to developing countries, Hungary had advanced from the eighth to the second place in the list of countries ranked by number of appointments of experts. His Government continued to lay great emphasis on training experts from developing countries in Hungary and on seeking new opportunities for technical cooperation in the support of those countries' industries. His own country greatly valued the temporary assistance it was receiving from OECD countries, including the United Kingdom, as a means of ensuring its peaceful transition to a market economy. Hungary's trade with developing countries had expanded rapidly in 1991, with exports rising by 14 per cent and imports by 6 per cent in comparison with 1990.

81. Mr. AMMAR (Tunisia) said he wished to concentrate on the provision of technical assistance to the Palestinian people. Finding a just, comprehensive and lasting settlement of the Palestinian question would be a lengthy and arduous process. International organizations, including UNIDO, were therefore called upon to support the Palestinian cause and provide technical assistance to the Palestinian people. His delegation approved of the formation of the team to monitor the development of the Palestinian industrial sector. As noted in the Director-General's progress report, the principal obstacles were now financial; the Israeli authorities had previously refused staff members entry into the occupied territories. He renewed his appeal for technical assistance to the Palestinian people, in accordance with the resolution adopted by the General Conference at its fourth session (GC.4/Res.7), and for the establishment of an economic unit to promote the industrial development of Palestine, in line with the recommendation of the Industrial Development Board (see decision IDB.7/Dec.17).

82. Mr. LAMAMRA (Observer for Algeria) said that the Director-General had painted a vivid picture of UNIDO's endeavours and of the difficulties it faced, as well as of the prospects for change. His own country was now engaged in a thoroughgoing restructuring of its economy, striving for greater economic efficiency by abandoning centralized management. The national authorities were seeking to ensure an effective transition to a modern economy. The Government was speeding up the modernization of enterprises through industrial restructuring, and was aiming to develop small- and medium-scale enterprises which would generate employment. There was ample scope for UNIDO to play a role in the industrial restructuring process through its cooperation programme. The emphasis should be placed on regenerating the industrial plant, improving the rate of utilization of productive capacity, and building upon the existing industrial network by developing small and medium-sized industries. Productive investment could be stepped up by mobilizing public and private domestic capital, and by attracting foreign capital under the favourable terms offered by the country's new

laws. UNIDO could make a significant contribution by identifying and selecting projects to be supported by its investment promotion services. It was encouraging to note that despite its financial difficulties, the Organization had maintained a satisfactory level of technical cooperation.

83. While appreciating the efforts of the Secretariat, to increase the number of projects implemented and improve their quality, his delegation noted with concern the drop in project approvals and the reduction in projects under implementation, due to the shortage of financial resources. The Organization's programmes could be seriously jeopardized by factors outside its control, notably the late payment or non-payment of contributions. UNIDO was being systematically deprived of the budgeted resources against which its activities were planned. His Government had decided, in spite of its own economic difficulties, to pay the whole of its own contribution for 1992, as testimony of its firm support for the Organization. He hoped that other States in less straitened circumstances would follow that example. He suggested that the Secretariat should seriously consider the possibility of negotiating with Member States which had major arrears of contributions, with a view to drawing up a timetable for payments. Firm undertakings by such States to make payments by instalments would enable the Secretariat to gain a clear picture of the resources on which it could rely during the financial year. For its part, the Organization must rationalize its management, streamline its priorities, ensure that funds were judiciously spent and avoid waste of both human and financial resources. Its key objective was to promote industrialization in the countries of the South. Since it lacked adequate resources to meet the needs of the developing countries, it must ensure, in the light of resolution GC.4/Res.20, paragraph 2, that the increased requests for technical cooperation did not lead to a reduction in resources for the industrialization of the developing countries. That was particularly necessary now that the Organization's basic resources were being further depleted owing to UNDP's recent decisions on support costs, at a time when the additional development funds which had been hoped for as a result of international political change were still failing to materialize. In those circumstances, the Secretariat should refrain from taking on new activities which would merely increase the pressure on the Organization's slender resources. It should concentrate on current activities, especially those related to technical cooperation; its attitude towards the new programmes and activities proposed in agenda items 4 and 16 should be cautious and realistic.

84. The Organization had adopted an approach by programme and by region, an approach which would certainly help to improve the standard of projects

and produce a better match between the expertise available and the essential industrialization requirements of the developing countries. That approach had been successfully tested in the special regional programmes, as shown by the results of the inter-agency meeting on the Special Programme for Industrial Development in the Arab Countries. His country was expecting a further boost to activities in the region, and renewed cooperation between UNIDO and the Arab countries. The technical assistance activities to the Palestinian people should be renewed and strengthened.

85. He welcomed the priority placed on technical cooperation projects among developing countries. Another welcome development was UNIDO's involvement in the process of integration among the AMU countries, especially the follow-up activities to the meeting held in October 1990 in Tunis, and the establishment of a framework-cooperation project.

86. Investment promotion activities in the Arab region lagged behind the region's potential, despite the overall increase in the value of promised investment projects in 1991. The African region was entitled to a substantial share in UNIDO's activities and programmes, and a high level of priority. The prospect of further regional cooperation and integration, as a result of the formation of the African Economic Community, offered new possibilities for intervention by UNIDO, in addition to the industrialization projects identified for the second Industrial Development Decade.

87. Mr. HART (Observer for Australia) congratulated the Director-General and the Secretariat on a comprehensive and detailed overview of activities undertaken in 1991. Australia was anxious to cooperate closely with the Organization, and especially in activities focused on the Asian and Pacific region. Referring to the second addendum to the report (IDB.9/10/Add.2), he welcomed the collaboration with ESCAP and FAO, and the proposals submitted to UNDP for consideration under the fifth cycle intercountry programme. The sectoral programme of pollution control of the tanning industry in the region had been the subject of an excellent presentation in March 1992. His country would study all proposals for mutually beneficial cooperation in the Asian and Pacific Region.

88. With regard to the Director-General's remarks on the need for the Organization to adapt to the changing world situation, he noted with interest the emphasis placed on growth in the private sector. The ultimate test of the Organization's achievements would be in the market-place, and its programmes must assist Member States to respond to market-place opportunities, especially internationally.

The meeting rose at 6.15 p.m.